002017 - Allstate Insurance Company

Report Revision Date: 02/15/2013

Rating and Commentary [1]	*Financial* [2]	*General Information* [3]
Best's Credit Rating: 01/31/2013	**Time Period:** 2nd Quarter - 2013	**Corporate Structure:** N/A
Rating Rationale: 01/31/2013	**Last Updated:** 08/24/2013	**States Licensed:** 06/12/2002
Report Commentary: 02/15/2013	**Status:** Quality Cross Checked	**Officers and Directors:** 02/15/2013

Best's Credit Rating Methodology   Disclaimer   Best's Rating Guide

Additional Online Resources	
Related News	Archived AMB Credit Reports
Rating Activity and Announcements	Corporate Changes & Retirements
Company Overview	AMB Country Risk Reports - United States

[1]The Rating and Commentary date outlines the most recent updates to the Company's Rating, Rationale, and Report Commentary for key rating and business changes. Report commentary may include significant changes to Business Review, Financial Performance/Earnings, Capitalization, Investment/Liquidity, or Reinsurance sections of the report.

[2]The Financial date reflects the current status of the financial tables found within the body of the Report, including whether the data was loaded as received or had been run through our quality control cross-check process.

[3]The General Information date covers key areas that may have changed such as corporate structure, states licensed or officers and directors.

Ultimate Parent: Allstate Corporation

Allstate Insurance Company

3075 Sanders Road, Northbrook, Illinois, United States 60062-7127

Tel.: 847-402-5000 **Web:** www.allstate.com **Fax:** 847-402-9116

AMB #: 002017 **Ultimate Parent:** 058312 **NAIC #:** 19232 **FEIN#:** 36-0719665

Best's Credit Ratings

Best's Financial Strength Rating: A+ **Outlook:** Stable

Best's Issuer Credit Rating: aa- **Outlook:** Stable

Rating Effective Date: 01/31/2013

Financial Size Category: XV

Report Revision Date: 02/15/2013

Rating Rationale

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Rating Rationale: The ratings and outlooks reflect Allstate's solid risk-adjusted capitalization, generally favorable operating performance and strong business profile with significant market presence. Partially offsetting these positive rating factors are the group's exposure to frequent and severe weather-related events, sizeable dividend payments to its parent and above average underwriting and investment leverage measures.

The group's capital position reflects its generally favorable earnings, which have contributed to surplus growth in most of the past five-year period, excluding dividends paid to its parent company. Allstate's non-catastrophe operating results continue to be favorable as a result of enhanced pricing sophistication and improved loss cost management while maintaining underwriting discipline. Additionally, Allstate has a significant market presence and strong overall business profile as the second-largest personal lines writer in the United States. Furthermore, Allstate maintains moderate financial leverage as well as additional liquidity at the holding company level in both The Allstate Corporation and its subsidiary, Kennett Capital, Inc., and through access to capital markets, lines of credit and its commercial paper program. The group's improved automobile and homeowners margins are attributable to rate adequacy along with its solid core underwriting capabilities, prudent capital management and sizeable investment income. Lastly, underwriting results also reflect the favorable impact of Allstate's ongoing risk management actions, various expense management initiatives and its significant investment in technology.

Partially offsetting these positive rating attributes is Allstate's inherent exposure to natural disasters due to its expansive market presence throughout the United States. This exposure was evident in recent years as net catastrophe losses totaled $3.8 billion in 2011 and $2.2 billion in 2010, with an overall combined ratio impact of 14.8 points and 8.5 points, respectively. However, over the past few years, Allstate has executed an extensive catastrophe risk exposure reduction program, including a significantly enhanced property catastrophe reinsurance program, non-renewals, stricter underwriting guidelines, increased deductibles and discontinuance of selected lines of coverage, including earthquake. The group's underwriting results in 2012 benefited from these risk reduction actions and lower catastrophe losses. Additionally, the group has made large dividend payments to its parent company in most of the past five years, which have contributed to volatility in risk-adjusted capitalization at times of heightened losses. Furthermore, the group maintains above average underwriting and investment leverage, relative to industry norms. However, due to reduced investment risk and correspondingly lower investment losses, in addition to favorable underlying underwriting performance, Allstate has been able to maintain capital levels supportive of its business risks.

Key rating drivers that could produce a revision in the outlooks or lead to a downgrade include capitalization that does not meet A.M. Best's 'Superior' standards; a sustained period of net losses or catastrophe losses out of proportion with market share; and consolidated financial leverage, including short-term debt of greater than 30%.

Five Year Rating History

Date	BEST'S FSR	BEST'S ICR
01/31/2013	A+	aa-
01/26/2012	A+	aa-
12/15/2010	A+	aa-
11/20/2009	A+	aa-
10/23/2008	A+	aa-

View 25 Year Rating History

Key Financial Indicators

	Statutory Data ($000)					
	Premiums Written					
Period Ending	Direct	Net	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policyholder's Surplus
2012	8,225,469	24,193,418	2,221,770	1,950,401	42,133,105	16,260,878
2011	8,707,630	23,547,740	342,259	222,955	41,023,043	15,126,667
2010	9,306,241	23,483,377	1,567,979	1,029,138	40,786,140	15,383,815
2009	9,942,704	23,832,883	2,064,149	1,285,048	40,828,513	15,026,074
2008	10,871,407	24,431,394	1,799,095	686,870	39,944,580	13,021,075
06/2013	3,861,417	12,281,293	835,578	926,625	41,764,786	15,877,648
06/2012	4,110,653	11,942,227	1,029,478	955,339	41,529,948	15,498,399

	Profitability			Leverage			Liquidity	
Period Ending	Combined Ratio	Investment Yield (%)	Pre-Tax ROR (%)	Non-Affiliated Investment Leverage	NPW to PHS	Net Leverage	Overall Liquidity (%)	Operating Cash-flow (%)
2012	95.9	3.2	9.3	58.2	1.5	3.1	163.2	106.3
2011	104.1	3.4	1.5	55.6	1.6	3.3	158.7	101.7
2010	98.9	3.2	6.6	47.8	1.5	3.2	160.9	103.6
2009	96.8	3.3	8.6	48.7	1.6	3.3	158.6	106.7
2008	99.7	4.0	7.3	42.3	1.9	3.9	148.8	107.1
5-Yr Avg	99.1	3.4	6.7	...	...	...	...	...
06/2013	97.7	3.0	6.8	65.5	1.5	3.2	161.7	103.3
06/2012	97.0	3.2	8.6	61.1	1.5	3.2	159.9	106.8

(*) Within several financial tables of this report, this company is compared against the Private Passenger Standard Auto & Homeowners Composite.
(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

Business Profile

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Collectively, the property and casualty group led by Allstate Insurance Company writes multiple lines of personal and commercial insurance throughout the United States and Canada. The group's mix of business is split approximately 95% personal lines and 5% commercial lines. Primary lines of business are private passenger automobile and homeowners insurance, which respectively represent approximately 70% and 25% of Allstate's total book of property and casualty business. With personal automobile lines serving as an entree, agents are capable of cross-selling other products to policyholders, including homeowners insurance, commercial lines insurance (generally small and medium-sized accounts), life insurance and personal financial products. Having multiple products for agents to sell has historically been instrumental in Allstate achieving high agent and customer retention.

Allstate serves four different consumer segments with distinct interaction preferences (advice and assistance versus self-directed) and brand preferences (brand-neutral versus brand-sensitive). Allstate brand auto and homeowners insurance products are sold primarily through Allstate exclusive agencies and serve customers who prefer local personal advice and service and are brand-sensitive. In most states, customers can also purchase certain Allstate brand personal insurance products, and obtain service, directly through call centers and the internet. Beginning in 2012, Allstate Brand direct sales and service focused on serving customers who prefer personal advice and assistance and work closer with Allstate exclusive agencies. Encompass brand auto and homeowners insurance products are sold through independent agencies and serve customers who prefer personal service and support primarily from an independent agent and are brand-neutral. Esurance brand auto insurance products are sold directly to consumers online, through call centers and through select agents, including Answer Financial, and serve the self-directed, brand-sensitive customers. Answer Financial, an independent personal lines insurance agency, serves self-directed, brand-neutral consumers who want a choice between insurance carriers and offers comparison quotes for auto and homeowners insurance from approximately twenty insurance companies through its website and over the phone.

Scope of Operations

Total Premium Composition & Growth Analysis

Period Ending	Direct Premiums Written		Reinsurance Premiums Assumed		Reinsurance Premiums Ceded		Net Premiums Written	
	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)	($000)	(%Chg)
2012	8,225,469	-5.5	16,453,128	7.3	485,180	-1.5	24,193,418	2.7
2011	8,707,630	-6.4	15,332,431	4.3	492,321	-6.6	23,547,740	0.3
2010	9,306,241	-6.4	14,704,494	1.8	527,359	-3.8	23,483,377	-1.5
2009	9,942,704	-8.5	14,438,461	2.2	548,281	-2.5	23,832,883	-2.4
2008	10,871,407	-9.0	14,122,586	3.1	562,599	-4.1	24,431,394	-2.5
5-Yr CAGR	...	-7.2	...	3.7	...	-3.7	...	-0.7
06/2013	3,861,417	-6.1	8,668,654	7.5	248,779	6.4	12,281,293	2.8
06/2012	4,110,653	-5.9	8,065,425	8.6	233,851	-4.8	11,942,227	3.4

Territory

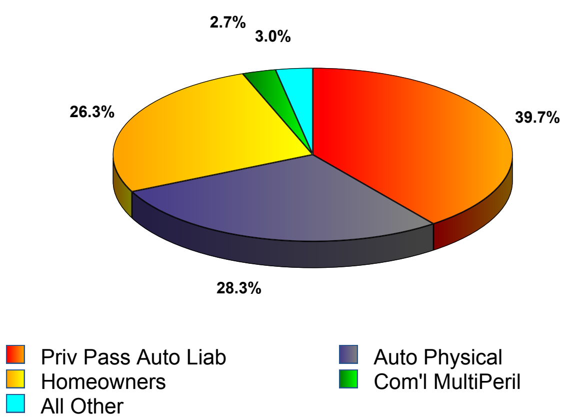
The company is licensed in the District of Columbia, Puerto Rico, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY. It is also licensed in all Canadian provinces and territories.

Business Trends

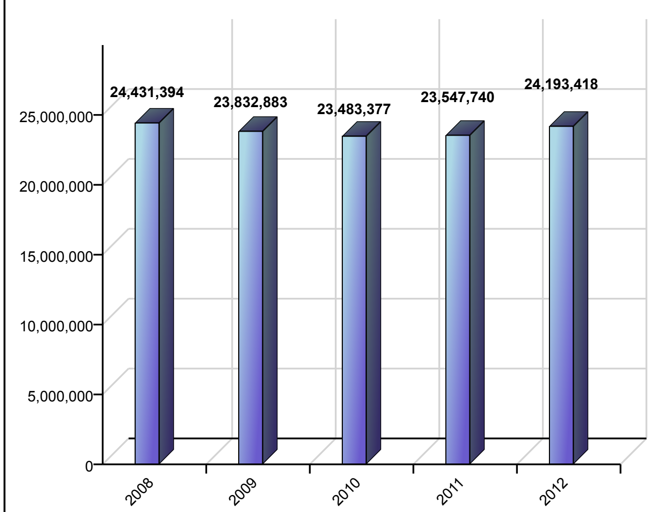
2012 By-Line Business ($000)

Product Line	Direct Premiums Written ($000)	Direct Premiums Written (%)	Reinsurance Premiums Assumed ($000)	Reinsurance Premiums Assumed (%)	Reinsurance Premiums Ceded ($000)	Reinsurance Premiums Ceded (%)	Net Premiums Written ($000)	Net Premiums Written (%)	Business Retention %
Priv Pass Auto Liab	2,551,039	31.0	7,068,264	43.0	18,190	3.7	9,601,113	39.7	99.8
Auto Physical	2,040,165	24.8	4,805,195	29.2	0	0.0	6,845,360	28.3	100.0
Homeowners	2,638,962	32.1	3,877,254	23.6	154,406	31.8	6,361,810	26.3	97.6
Com'l MultiPeril	332,582	4.0	334,189	2.0	8,508	1.8	658,263	2.7	98.7
All Other	662,721	8.1	368,227	2.2	304,076	62.7	726,872	3.0	70.5
Total	8,225,469	100.0	16,453,128	100.0	485,180	100.0	24,193,418	100.0	98.0

2012 Top Product Lines of Business (Net Premiums Written)



5 Years of Net Premiums Written ($000)



By-Line Reserve ($000)

Product Line	2012	2011	2010	2009	2008
Priv Pass Auto Liab	9,395,527	9,457,659	9,144,598	8,767,283	8,661,598
Auto Physical	206,819	265,313	261,761	372,539	398,162
Homeowners	1,837,587	2,241,747	2,286,817	2,250,862	2,712,925
Com'l MultiPeril	423,759	458,699	441,336	421,918	427,282
All Other	2,635,241	2,661,081	2,645,612	2,686,266	2,659,103
Total	14,498,934	15,084,498	14,780,123	14,498,868	14,859,070

Market Share / Market Presence

Geographical Breakdown By Direct Premium Writings ($000)

	2012	2011	2010	2009	2008
New York	1,506,915	1,607,578	1,679,428	1,746,598	1,850,421
California	1,078,365	1,111,834	1,133,326	1,142,068	1,286,968
Florida	623,215	674,014	709,272	754,344	832,207
Pennsylvania	456,790	480,414	528,235	595,117	676,313
Maryland	345,273	364,156	388,937	422,697	455,582
Illinois	340,989	368,738	407,163	445,071	475,764
Louisiana	330,575	348,006	361,177	369,027	386,993
Virginia	292,550	307,008	311,516	325,230	354,005
Georgia	291,434	312,651	344,250	375,343	414,200
South Carolina	208,744	217,110	233,234	251,669	270,523
All Other	2,750,618	2,916,120	3,209,703	3,515,540	3,868,432
Total	8,225,469	8,707,630	9,306,241	9,942,704	10,871,407

Risk Management

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

All of Allstate's subsidiaries operate under the corporate-wide enterprise risk and return management (ERRM) framework. Allstate has a complex structure and a diverse set of risks, which creates opportunities, but also operational challenges and potential for risk contagions. The ERRM process is important as a means to maximize business opportunities, while containing risks and, thus, upholding the enterprise's financial strength. Allstate has implemented robust internal control practices for risks. Key risks are measured and reported to Board/Senior Management via an Enterprise Risk Dashboard report. The Board of Directors measures and monitors ERRM strategies, practices, and actions semi-annually. An audit committee reviews enterprise key risk mitigation strategies, targets, trends and actions quarterly. Central, dedicated ERRM department coordinates risk governance practices, enterprise modeling and reporting across the enterprise. Business unit Chief Risk Officers (CRO) and supporting CRO councils work together as a group to create an integrated approach to ERRM, perform tactical analysis and embed ERRM in the business units (Allstate Investment, Allstate Protection, Allstate Financial). Internal Audit provides assurance on internal controls to mitigate key risks and evaluates the risk framework and governance. Internal control and compliance committees provide oversight of the internal control environment.

Catastrophe Exposure & Management: For years, Allstate Insurance Company and select other affiliates have entered into a catastrophe excess of loss reinsurance contract with external parties. In recent years, the company has executed an extensive array of catastrophe risk reduction reinsurance arrangements. The group's reinsurance activity also includes intercompany arrangements with affiliates, as well as mandated state-assigned pools and facilities. In addition, the group maintains excess of loss coverage on its commercial umbrella and commercial property programs. Furthermore, Allstate's dedicated Florida-only property insurers maintain reinsurance protection available from the Florida Hurricane Catastrophe Fund. Lastly, the group is a participating member in the California Earthquake Authority.

As a countrywide homeowners writer, the group is susceptible to aggregate losses from hurricanes and earthquakes. However, the group's pre-tax net catastrophe leverage for a 100-year hurricane or a 250-year earthquake, as depicted in a probable maximum loss analysis, is manageable at less than 10% of surplus. Including this exposure, Allstate's risk-adjusted capitalization remains supportive of its rating. In addition to the purchase of catastrophe reinsurance, the group has undertaken numerous risk management strategies in recent years to mitigate its catastrophe loss exposure for its commercial property, homeowners, condominium, mobile home and landlord package policies. These included replacement carrier transactions with third parties not affiliated with Allstate, non-renewals of existing business, discontinuation of new business writings, utilization of state catastrophe pools, rate increases and higher catastrophe deductibles in locations with significant hurricane or earthquake loss exposure.

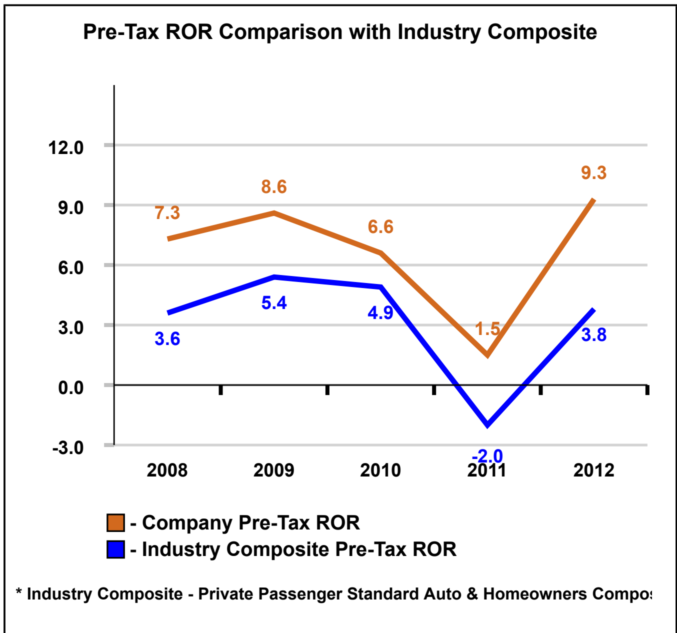
Operating Performance

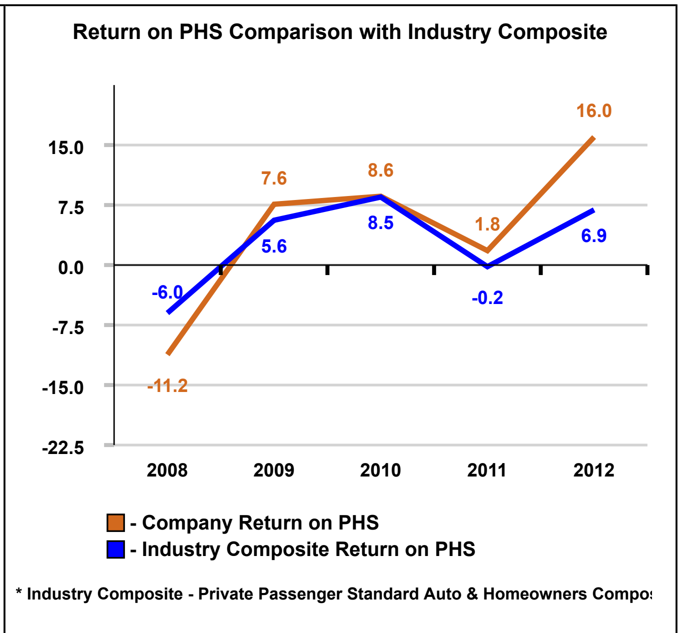
The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Operating Results: In most years, Allstate has generated solid operating earnings as evidenced by its five-year pre-tax returns on revenue (ROR) and equity (ROE), which exceed the private passenger standard auto and homeowners industry composite. Pre-tax operating returns have been driven by investment and other income and to a lesser extent, underwriting profitability in most years. Investment income growth has slowed in recent years, driven primarily by reduced investment yields due to the low interest rate environment. The favorable underwriting results reported in most years were reflective of the group's numerous strategic initiatives that include multiple distribution channels, revised underwriting policies, increased claims-servicing capabilities, enhanced pricing sophistication and ongoing risk management actions. However, these results have been adversely impacted by numerous tornado/hail and other wind storm losses in recent years.

Profitability Analysis

	Company							Industry Composite		
Period Ending	Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return	Pre-Tax ROR	Return on PHS	Operating Ratio	Pre-Tax ROR	Return on PHS	Operating Ratio
2012	2,221,770	1,717,600	1,950,401	2,506,776	9.3	16.0	91.2	3.8	6.9	96.4
2011	342,259	323,996	222,955	269,686	1.5	1.8	99.1	-2.0	-0.2	102.5
2010	1,567,979	1,223,026	1,029,138	1,302,078	6.6	8.6	94.3	4.9	8.5	95.2
2009	2,064,149	1,614,438	1,285,048	1,069,863	8.6	7.6	92.2	5.4	5.6	95.0
2008	1,799,095	1,548,527	686,870	-1,737,719	7.3	-11.2	93.9	3.6	-6.0	97.2
5-Yr Avg/Tot	7,995,253	6,427,586	5,174,412	3,410,685	6.7	4.5	94.1	3.1	3.0	97.3
06/2013	835,578	619,985	926,625	1,010,221	6.8	14.9	93.6	XX	XX	XX
06/2012	1,029,478	807,894	955,339	1,180,929	8.6	10.3	92.1	XX	XX	XX





Underwriting Results

Underwriting Results: In most years, Allstate has produced solid underwriting results as evidenced by its five-year average combined ratio, which is below breakeven and compares favorably to the private passenger standard auto and homeowners industry composite. As a property and casualty personal lines writer, the group's underwriting results have, at times, been impacted by significant catastrophe losses. This was the case in 2011, as the group's underwriting results were negatively impacted by $3.8 billion in net catastrophe losses, which added 14.7 points to the overall combined ratio. However, in 2012, catastrophe losses were less frequent and severe, adding approximately 8.0 points to the combined ratio. In most years, underwriting profitability has been primarily due to favorable automobile frequency trends and homeowner average premium increases, coupled with a favorable underwriting expense ratio.

Allstate has produced a favorable combined ratio for the majority of years in the past five-year period, driven by improved rate adequacy across all lines of business and application of more stringent underwriting practices. Since 2009, homeowners severity has impacted overall results due primarily to a considerable increase in construction and material costs. In addition, tornado / hail activity had a moderate impact on the group's performance in 2009 and 2010 and an even greater impact in 2011. As a result, the group has limited its aggregate insurance exposure to catastrophe losses in certain regions of the country that are subject to high levels of natural catastrophes. Furthermore, Allstate continues to implement profit improvement actions in both its homeowners and auto lines of business and has benefited from rate changes implemented in numerous states.

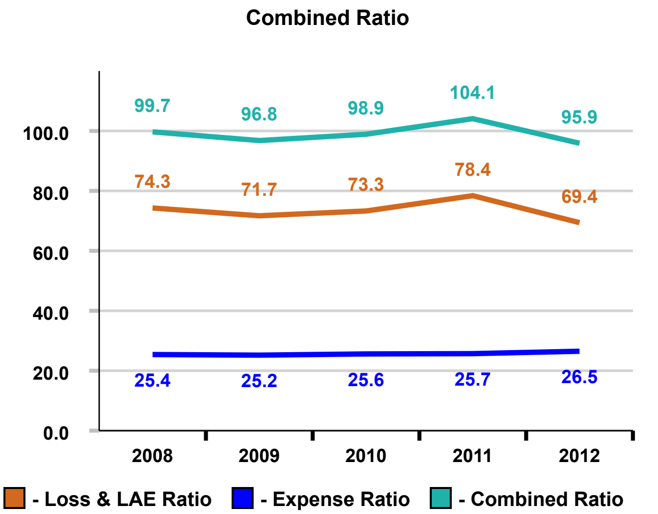
Underwriting Experience

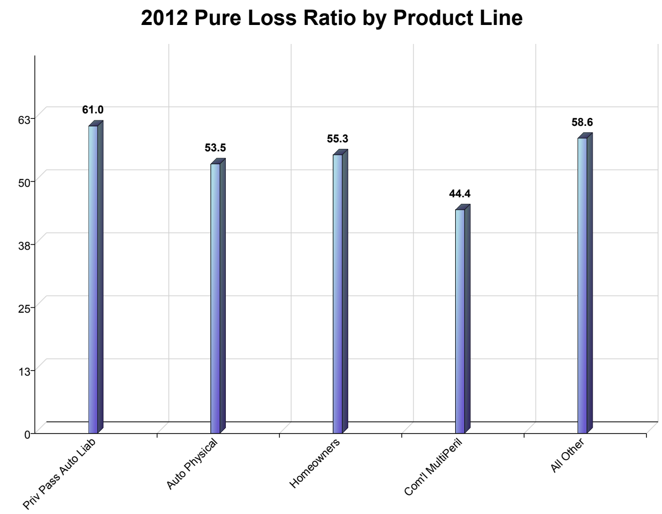
		Loss Ratios			Expense Ratios				
Year	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio
2012	925,944	56.8	12.5	69.4	11.1	15.4	26.5	...	95.9
2011	-992,612	65.3	13.2	78.4	11.7	14.0	25.7	...	104.1
2010	290,609	61.5	11.8	73.3	11.8	13.8	25.6	...	98.9
2009	798,310	59.6	12.1	71.7	12.0	13.1	25.2	...	96.8
2008	155,182	61.9	12.5	74.3	11.9	13.5	25.4	...	99.7
5-Yr Avg	1,177,433	61.0	12.4	73.4	11.7	14.0	25.7	...	99.1
06/2013	260,227	56.8	12.9	69.7	XX	XX	28.0	...	97.7
06/2012	358,178	58.6	11.6	70.2	XX	XX	26.8	...	97.0

Loss Ratio By Line

Product Line	2012	2011	2010	2009	2008	5-Yr. Avg.
Priv Pass Auto Liab	61.0	62.4	68.4	64.9	59.5	63.2
Auto Physical	53.5	52.3	45.8	47.6	49.4	49.7
Homeowners	55.3	83.9	70.1	66.2	79.5	71.0
Com'l MultiPeril	44.4	71.5	61.4	60.4	68.1	61.0
All Other	58.6	59.6	55.4	55.4	66.8	59.3
Total	56.8	65.3	61.5	59.6	61.9	61.0

Underwriting Results (Continued ...)





Direct Loss Ratios By State

	2012	2011	2010	2009	2008	5-Yr. Avg.
New York	101.9	66.5	65.9	63.8	54.3	69.5
California	41.5	43.3	46.0	39.4	50.7	44.4
Florida	46.4	49.3	54.4	53.0	54.5	51.8
Pennsylvania	52.3	66.0	59.7	45.9	42.8	52.4
Maryland	60.4	75.9	82.4	74.0	54.1	69.1
Illinois	41.8	57.8	69.2	43.2	57.1	54.1
Louisiana	63.3	41.5	29.2	30.1	113.9	56.3
Virginia	48.1	56.1	52.6	54.7	45.8	51.4
Georgia	41.2	58.6	52.2	91.9	69.8	64.3
South Carolina	42.4	69.0	57.8	45.5	44.6	51.5
All Other	66.5	74.1	55.8	51.7	60.7	61.2
Total	63.9	63.2	57.0	53.4	57.7	58.7

Investment Results

Investment Results: Allstate's investment philosophy emphasizes safety of principal and consistent after-tax income generation within a total return framework. The composition of the investment portfolio is the result of various interrelated investment considerations including the protection of principal, appreciation, potential tax consequence and yields. The investment portfolio primarily consists of long-term bonds, common and preferred stocks, short-term investments and cash. The group maintains a high quality bond portfolio that is predominantly comprised of investment grade public corporate, tax-exempt municipal, and government issues.

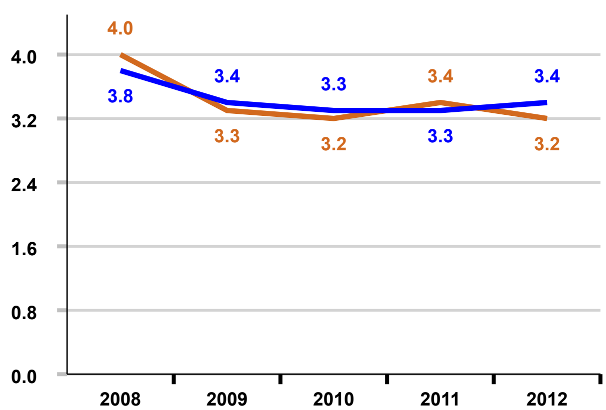
Net investment income generation has slowed in recent years due to modest investment yields and minimal invested asset growth. Following the unfavorable market conditions in 2008, Allstate reduced its investment risk and return position by reducing its investments in higher risk asset classes, real estate holdings and municipal bonds. The group also shortened its portfolio duration and executed a hedging strategy to reduce interest rate and equity tail risk. Despite the recent decline, the group's five-year net investment yield remains comparable to the private passenger standard auto and homeowners industry composite. However, the group's five-year total return on invested assets is modestly lower than industry composite norms due to the sizable capital losses reported in most of the past five-year period.

Investment Results (Continued ...)

Investment Gains ($000)

	Company							Industry Composite	
Year	Net Investment Income ($000)	Realized Capital Gains ($000)	Unrealized Capital Gains ($000)	Investment Income Growth (%)	Investment Yield (%)	Return on Invested Assets (%)	Total Return (%)	Investment Income Growth (%)	Investment Yield (%)
2012	1,140,074	232,801	556,376	-2.1	3.2	3.9	5.6	5.2	3.4
2011	1,164,531	-101,041	46,731	6.7	3.4	3.1	3.2	1.1	3.3
2010	1,091,523	-193,888	272,940	-0.8	3.2	2.6	3.4	0.5	3.3
2009	1,100,261	-329,389	-215,186	-23.1	3.3	2.3	1.6	-11.8	3.4
2008	1,430,671	-861,657	-2,424,589	-47.4	4.0	1.6	-4.9	-20.9	3.8
5-Yr Avg/Tot	5,927,060	-1,253,174	-1,763,728	-21.0	3.4	2.7	1.7	-6.5	3.4
06/2013	497,554	306,640	83,596	-14.9	3.0	4.1	5.3	XX	XX
06/2012	584,443	147,445	225,590	-5.5	3.2	3.7	3.3	XX	XX

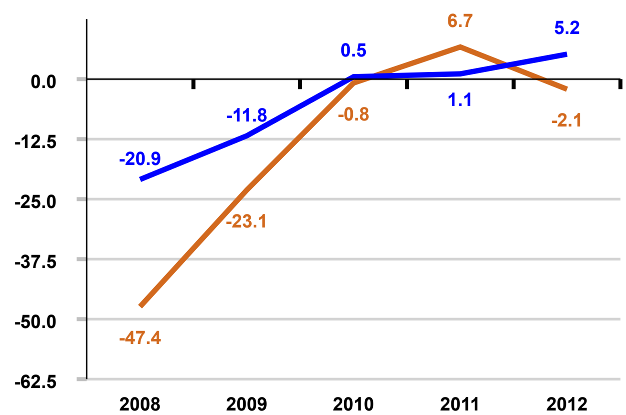
Investment Yield vs Industry



- Company Investment Yield (%)
- Industry Composite Investment Yield (%)

* Industry Composite - Private Passenger Standard Auto & Homeowners Compo:

Investment Income Growth vs Industry



- Company Investment Income Growth (%)
- Industry Composite Investment Income Growth (%)

* Industry Composite - Private Passenger Standard Auto & Homeowners Compo:

Balance Sheet Strength

Capitalization

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Capitalization: Allstate maintains solid overall risk-adjusted capitalization as measured by Best's Capital Adequacy Ratio (BCAR), which supports its rating. The group's capital position is reflective of its high quality and well-diversified investment portfolio, as well as its conservative operating strategies. Partially offsetting these positive factors are Allstate's above average underwriting leverage, exposure to both frequent and severe catastrophe losses, as well as the amount of pyramided capital relating to unconsolidated subsidiaries, a major portion of which relates to its ownership of Allstate Life Insurance Company. Allstate maintains additional financial flexibility through available lines of credit, access to capital markets and its commercial paper program. The holding company also maintains a substantial amount of liquid assets in Kennett Capital, Inc., which can be utilized to fund its debt and shareholder dividend requirements. Furthermore, these funds provide a source of capital, which can be contributed to the insurance group to support its growth and capital objectives. The Allstate Corporation's debt to total capital ratio is within acceptable levels for the rating and is supported by generally favorable fixed charge coverage.

The group's surplus has fluctuated over the past five-year period, driven by significant stockholder dividend payments to its parent, The Allstate Corporation in most years, catastrophe losses and capital losses on its investment portfolio due to the volatile market conditions during this time period. In 2012, Allstate generated solid surplus growth, driven by operating earnings that were attributable to better underwriting results, partially offset by a decline in investment income and dividends to parent. In 2011, the modest decline in surplus was driven by $3.8 billion in catastrophe losses and $838.0 million in net stockholder dividend payments to its parent. Between 2009 and 2010, the group generated solid surplus growth, driven by operating earnings that were attributable to better underwriting results, partially offset by a decline in investment income and dividends to parent in 2010.

Capital Generation Analysis ($000)

	Source of Surplus Growth							
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains	Net Contributed Capital	Other Changes	Change in PHS	% Change in PHS
2012	2,221,770	232,801	504,171	556,376	-1,433,084	60,519	1,134,211	7.5
2011	342,259	-101,041	18,263	46,731	-616,458	89,623	-257,148	-1.7
2010	1,567,979	-193,888	344,953	272,940	-1,299,568	355,231	357,741	2.4
2009	2,064,149	-329,389	449,712	-215,186	873,896	61,240	2,004,999	15.4
2008	1,799,095	-861,657	250,568	-2,424,589	-2,394,158	-881,586	-5,013,463	-27.8
5-Yr Total	7,995,253	-1,253,174	1,567,667	-1,763,728	-4,869,372	-314,972	-1,773,660	-2.0
06/2013	835,578	306,640	215,593	83,596	-1,308,268	-85,182	-383,230	-2.4
06/2012	1,029,478	147,445	221,584	225,590	-825,608	16,411	371,732	2.5

Capitalization (Continued ...)

Quality of Surplus ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus	Year End Policyholders Surplus	Conditional Reserves	Adjusted Policyholders Surplus
2012	...	...	4,485,922	11,774,956	16,260,878	60,774	16,321,652
2011	...	...	4,861,591	10,265,076	15,126,667	49,202	15,175,869
2010	...	...	4,450,650	10,933,165	15,383,815	51,049	15,434,864
2009	...	...	4,471,364	10,554,710	15,026,074	60,918	15,086,992
2008	...	...	3,395,042	9,626,033	13,021,075	80,469	13,101,544
06/2013	...	...	4,557,302	11,320,347	15,877,648	54,566	15,932,214
06/2012	...	...	4,478,807	11,019,592	15,498,399	51,249	15,549,648

Underwriting Leverage

Underwriting Leverage: Allstate maintains above average net and gross underwriting leverage relative to the private passenger standard auto and homeowners industry composite. Between 2008 and 2010, net and gross underwriting leverage trended lower due to favorable surplus growth in conjunction with a modest decline in net premiums written. The 2% surplus loss in 2011 had a minimal impact on underwriting leverage. In 2012, underwriting leverage improved due to surplus growth outpacing the growth in premiums. Prior to 2012, the group's net written premiums were on a declining trend due to a decrease in policies in-force from competition in its core markets and its initiatives to reduce catastrophe exposure. The decline in net premiums written in most years was partially mitigated by moderate rate increases implemented in recent years. The modest premium growth in 2012 was primarily attributable to solid growth in Allstate's direct business.

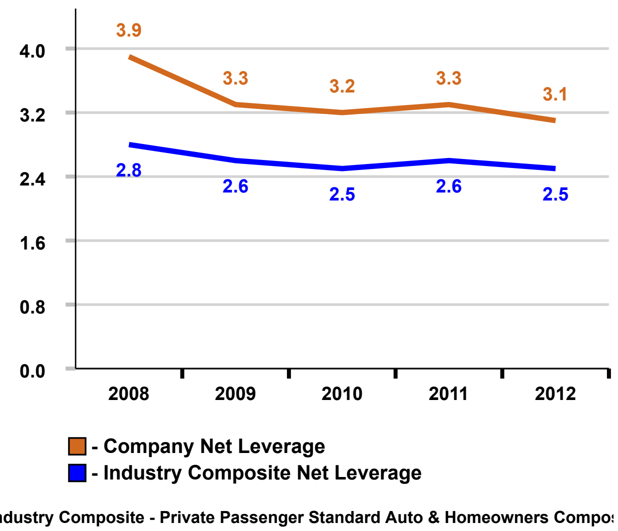
Leverage Analysis

	Company				Industry Composite			
Year	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage	NPW to PHS	Reserves to PHS	Net Leverage	Gross Leverage
2012	1.5	0.9	3.1	3.3	1.1	0.7	2.5	2.7
2011	1.6	1.0	3.3	3.4	1.1	0.7	2.6	2.8
2010	1.5	1.0	3.2	3.3	1.1	0.7	2.5	2.7
2009	1.6	1.0	3.3	3.5	1.1	0.7	2.6	2.8
2008	1.9	1.1	3.9	4.1	1.2	0.8	2.8	3.0
06/2013	1.5	0.9	3.2	XX	XX	XX	XX	XX
06/2012	1.5	1.0	3.2	XX	XX	XX	XX	XX

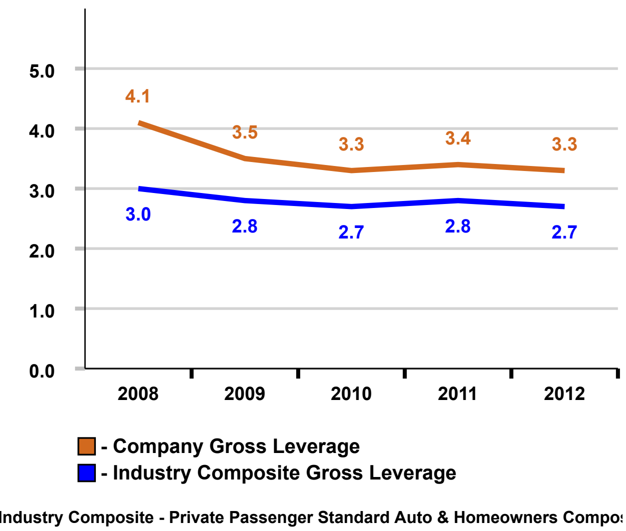
Current BCAR: 203.1

Underwriting Leverage (Continued ...)

Net Leverage vs Industry



Gross Leverage vs Industry



Ceded Reinsurance Analysis ($000)

	Company				Industry Composite		
Year	Ceded Reinsurance Total	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)	Business Retention (%)	Reinsurance Recoverables to PHS (%)	Ceded Reinsurance to PHS (%)
2012	3,611,833	98.0	19.2	22.2	107.6	17.3	28.2
2011	2,773,495	98.0	15.1	18.3	107.8	15.4	25.6
2010	2,578,875	97.8	13.3	16.8	106.6	13.9	24.0
2009	2,668,331	97.8	14.1	17.8	104.5	14.4	26.8
2008	2,858,932	97.7	17.6	22.0	104.7	15.4	25.2

2012 Reinsurance Recoverables ($000)

	Paid & Unpaid Losses	Incurred But Not Reported (IBNR) Losses	Unearned Premiums	Other Recoverables *	Total Reinsurance Recoverables
US Affiliates	154	...	...	...	154
US Insurers	246,949	139,568	925	164	387,606
Pools/Associations	1,144,436	1,032,106	183,622	-278	2,359,885
Other Non-Us	154,572	226,701	174	-2,283	379,164
Total(ex Us Affils)	1,545,957	1,398,375	184,721	-2,397	3,126,655
Grand Total	1,546,107	1,398,376	184,721	-2,397	3,126,808

* Includes Commissions less Funds Withheld

Loss Reserves

Loss Reserves: The group's loss reserve development, on an accident year basis, has been favorable in each of the past five years. On a calendar year basis, loss reserve development has shown improvement in recent years. In earlier calendar years, adverse reserve development was driven by additions to reserves in the Discontinued Lines and Coverages segment, primarily for asbestos and environmental liabilities, which offset the favorable loss reserve development reported by Allstate's personal lines business. The majority (approximately 65%) of overall loss reserves is associated with private passenger automobile liability with homeowners accounting for approximately 15% of overall loss reserves.

The group segregates its asbestos, environmental and other mass tort reserves for business previously written by its former Northbrook subsidiaries and for reinsurance assumed in its Discontinued Lines and Coverages operations. Based on Footnote 33 disclosure data, Allstate reported approximately $1.7 billion and $1.2 billion of gross and net A&E reserves, respectively, as of year-end 2012. Net reserves were split 86% asbestos and 14% pollution reserves. Given its significant personal lines orientation, Allstate's 2012 net A&E reserves constituted only 7.5% of its overall loss reserves. All of Allstate's potential A&E liability exposure stems from both direct and assumed excess coverages written by discontinued operations. The group's strategy has been to pursue economically viable direct policy buy-backs and commutations.

Loss and ALAE Reserve Development: Calendar Year ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Development to PHS (%)	Development to NPE (%)	Unpaid Reserves @ 12/2012	Unpaid Reserves to Development (%)
2012	13,409,899	13,409,899	...	...	55.9	13,409,899	100.0
2011	13,932,895	13,548,031	-2.8	-2.5	57.9	8,259,860	61.0
2010	13,732,733	13,375,169	-2.6	-2.3	56.6	5,681,233	42.5
2009	13,361,135	13,448,171	0.7	0.6	56.1	4,185,442	31.1
2008	13,477,433	13,758,749	2.1	2.2	55.6	3,374,573	24.5
2007	13,047,661	13,748,270	5.4	3.9	54.9	2,937,683	21.4

Loss and ALAE Reserve Development: Accident Year ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2012	Development to Original (%)	Unpaid Reserves @ 12/2012	Accident Year Loss Ratio	Accident Year Comb. Ratio
2012	5,150,039	5,150,039	...	5,150,039	71.6	98.1
2011	5,631,845	5,348,119	-5.0	2,578,627	77.8	103.4
2010	5,727,689	5,299,192	-7.5	1,495,791	71.5	97.2
2009	5,530,834	5,268,280	-4.7	810,869	70.7	95.8
2008	5,737,718	5,497,291	-4.2	436,890	71.8	97.3
2007	5,327,684	5,105,339	-4.2	272,198	64.1	89.8

Loss Reserves (Continued ...)

Asbestos And Environmental Reserves Analysis

	Company						Industry Composite		
Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net Incurred But Not Reported (IBNR) Mix (%)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)	Survival Ratio (3 Yr)	Comb. Ratio Impact (1 Yr)	Comb. Ratio Impact (3 Yr)
2012	1,192,744	68.9	57.1	13.9	0.2	0.1	9.1	0.6	0.6
2011	1,236,792	68.7	58.6	17.0	0.1	0.1	9.1	0.5	0.6
2010	1,276,098	68.2	59.6	14.2	0.1	0.0	7.2	0.7	0.5
2009	1,355,288	67.8	61.9	...	0.0	...	...	0.6	...
2008	1,402,824	65.0	63.5	...	0.0	...	...	0.3	...

Liquidity

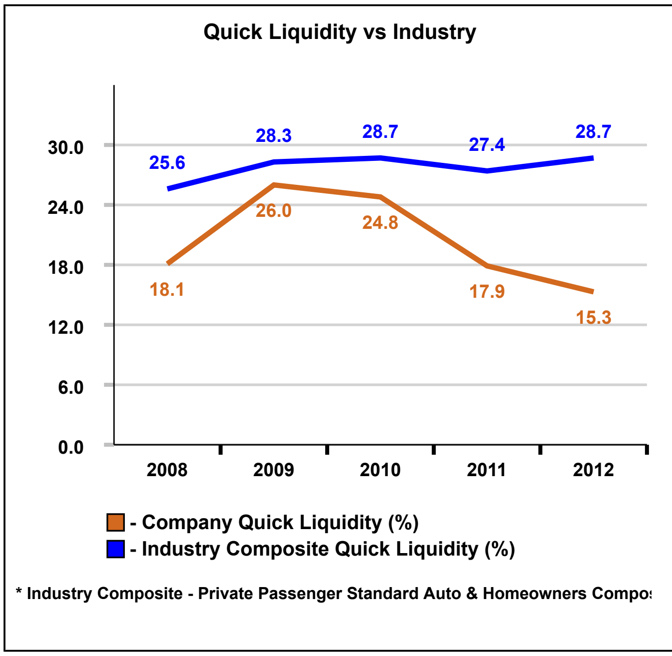
The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

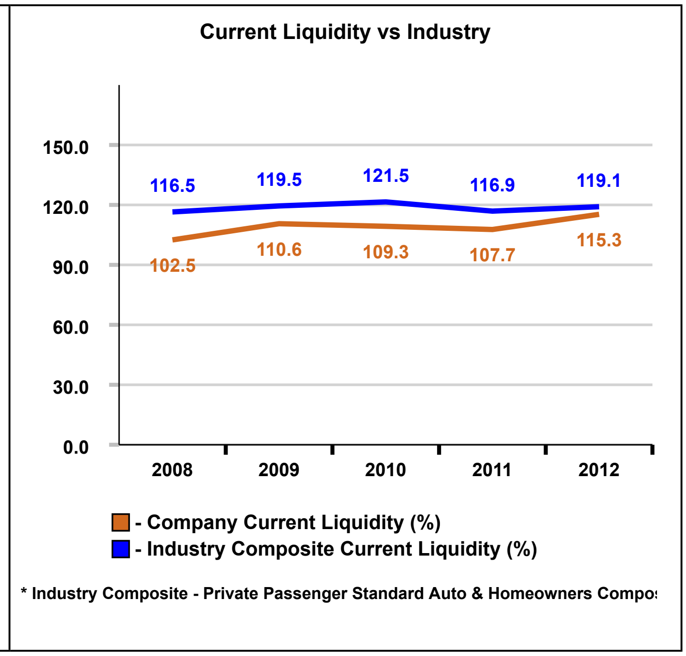
Liquidity: Allstate maintains sound balance sheet liquidity, as non-affiliated invested assets exceed overall liabilities. Although the group's quick, current and overall liquidity ratios have fluctuated over the past five years, they remain somewhat comparable to the private passenger standard auto and homeowners industry composite. The group's liquidity position has been enhanced by solid operating cash flows over the previous five-year period, although operating cash flows declined moderately between 2010 and 2011 due to weaker underwriting cash flows and investment income. These favorable operating cash flows, along with a portion of its investment portfolio that is held in cash and highly liquid securities at Kennett Capital, Inc., potential commercial paper borrowings and a line of credit, have enabled the group to satisfy the liquidity requirements of its operations. The commercial paper program, with an authorized borrowing limit of up to $1.0 billion, is available to cover short-term cash needs. Historically, the majority of the proceeds from the issuance of the commercial paper program has been used by the insurance operations for general purposes. The Allstate Corporation has the capacity to issue loans to its subsidiaries that are party to intercompany loan agreements from proceeds of its commercial paper borrowings. Furthermore, The Allstate Corporation maintains a $1.0 billion five-year revolving line of credit that provides potential sources of funds to meet short-term liquidity requirements. The line of credit expires in 2017 with the ability to extend for up to two years. Total borrowings under the combined commercial paper program and line of credit are limited to $1.0 billion. The line of credit has never been used.

Liquidity Analysis

	Company				Industry Composite			
Year	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS(%)	Quick Liquidity (%)	Current Liquidity (%)	Overall Liquidity (%)	Gross Agents Balances to PHS (%)
2012	15.3	115.3	163.2	6.1	28.7	119.1	172.3	6.7
2011	17.9	107.7	158.7	5.9	27.4	116.9	169.2	5.8
2010	24.8	109.3	160.9	4.9	28.7	121.5	172.0	6.1
2009	26.0	110.6	158.6	5.3	28.3	119.5	169.1	6.6
2008	18.1	102.5	148.8	6.6	25.6	116.5	164.6	8.2
06/2013	XX	114.9	161.7	6.4	XX	XX	XX	XX
06/2012	XX	111.2	159.9	5.9	XX	XX	XX	XX

Liquidity (Continued ...)





Cash Flow Analysis ($000)

	Company					Industry Composite	
Year	Underwriting Cash Flow	Operating Cash Flow	Net Cash Flow	Underwriting Cash Flow (%)	Operating Cash Flow (%)	Underwriting Cash Flow (%)	Operating Cash Flow (%)
2012	522,034	1,500,711	388,050	102.2	106.3	97.9	104.4
2011	-840,918	406,632	39,007	96.5	101.7	93.2	99.4
2010	208,423	862,599	-206,522	100.9	103.6	99.9	105.4
2009	-172,475	1,616,297	-1,261,126	99.3	106.7	98.4	105.7
2008	754,259	1,741,705	716,584	103.2	107.1	97.9	104.2
5-Yr Total	471,324	6,127,944	-324,007	...	...	...	...
06/2013	272,864	414,682	172,499	102.3	103.3	XX	XX
06/2012	330,605	807,358	66,156	102.8	106.8	XX	XX

Investments

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Investments: Allstate's investment leverage is higher than the private passenger standard auto and homeowners industry composite. The group's investment leverage is derived from above average non-affiliated investment leverage, which is partially offset by slightly below average affiliated investment leverage. The affiliated investments are primarily related to Allstate Life Insurance Company. The group's non-affiliated investment leverage is primarily driven by unaffiliated common stock, which equated to approximately 18% of surplus, and non-investment grade bonds, which equated to approximately 18% of surplus, as of year-end 2012. Although the group's holdings of non-investment grade bonds are greater than industry composite norms, they not considered excessive, as a portion is related to private placement and municipal securities that are

Investments (Continued ...)

not NAIC rated. Overall, Allstate's investment portfolio is well diversified, consisting predominantly of high quality fixed-income securities and equity holdings devoted primarily to large capitalization stocks.

Investment Leverage Analysis (% of PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate / Mortgages	Other Invested Assets	Common Stock	Non - Affiliated Investment Leverage	Affiliated Investments	Class 3-6 Bonds	Common Stock
2012	18.7	3.0	17.5	18.9	58.2	38.1	5.4	18.6
2011	13.1	3.2	14.6	24.7	55.6	45.8	4.4	18.8
2010	12.8	0.1	10.0	24.8	47.8	47.6	4.4	19.9
2009	10.1	0.3	8.8	29.4	48.7	43.5	3.7	19.3
2008	11.8	0.8	11.8	17.9	42.3	44.2	3.6	15.8

Investments - Bond Portfolio

2012 Distribution By Maturity

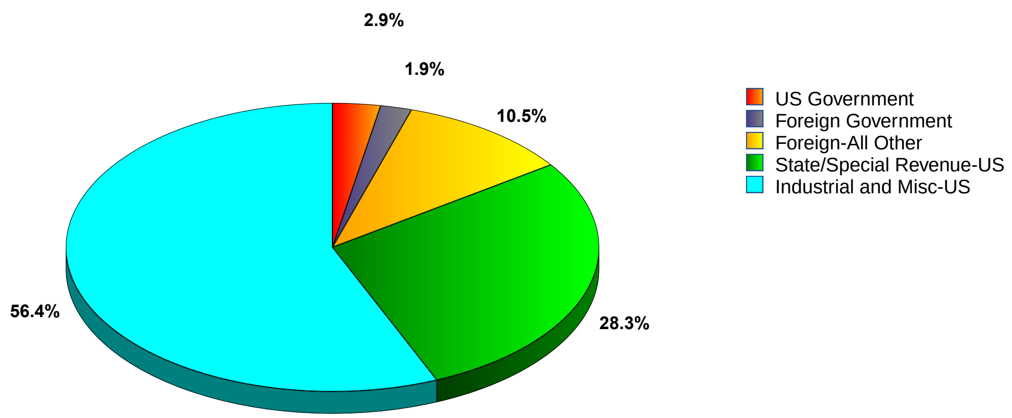
	Years					
	0-1	1-5	5-10	10-20	20+	Years Average Maturity
Government	0.2	3.0	1.6	...	...	4.5
Government Agencies & Muni.	2.2	7.6	10.6	6.1	1.1	8.1
Industrial & Misc.	4.4	41.3	19.6	1.2	0.9	5.0
Hybrid Securities	...	...	...	...	...	12.0
Total	6.9	51.9	31.9	7.3	2.0	5.6

Investments - Bond Portfolio (Continued ...)

Bond Distribution By Issuer Type

	2012	2011	2010	2009	2008
Bonds (000)	23,312,194	21,747,559	22,345,434	22,398,030	21,609,797
US Government	2.9	6.4	12.1	8.9	1.0
Foreign Government	1.9	1.7	1.9	2.1	0.4
Foreign-All Other	10.5	9.2	7.0	3.7	1.6
State/Special Revenue-US	28.3	33.4	44.2	61.9	75.8
Industrial and Misc-US	56.4	49.3	34.8	23.4	21.2

2012 Bond Distribution By Issuer Type



Bond Percent Private vs Public

	2012	2011	2010	2009	2008
Private Issues	20.1	15.0	11.0	5.6	4.3
Public Issues	79.9	85.0	89.0	94.4	95.7

Bond Quality Percent

	2012	2011	2010	2009	2008
Class 1	62.8	71.3	77.4	79.5	76.2
Class 2	24.4	19.7	13.8	13.8	17.3
Class 3	8.8	5.6	5.1	3.3	3.0
Class 4	3.0	2.4	2.2	2.0	2.1
Class 5	0.5	0.7	1.2	1.2	1.3
Class 6	0.4	0.3	0.4	0.4	0.2

Investments - Equity Portfolio

	2012	2011	2010	2009	2008
Total Stocks(000)	8,146,363	8,930,266	9,199,348	9,560,808	7,262,596
Unaffiliated Common	37.8	41.8	41.6	46.2	32.0
Affiliated Common	61.5	57.2	56.8	52.4	64.8
Unaffiliated Preferred	0.7	1.0	1.7	1.4	3.2

Investments - Mortgage Loans And Real Estate

	2012	2011	2010	2009	2008
Mortgage Loans and Real Estate (000)	821,104	805,993	339,271	364,996	414,372
Mortgage Loans	59.9	58.6	5.1	13.0	25.2
Property Occupied by Company	40.0	40.0	94.9	87.0	74.8
Property Held for Income	0.1	1.3	...	...	...

Investments - Other Invested Assets

	2012	2011	2010	2009	2008
Other Invested Assets(000)	3,758,786	3,446,624	2,898,880	2,356,419	3,682,908
Cash	-0.5	-13.4	-15.5	-11.5	20.1
Short-Term	0.4	2.0	0.6	1.9	8.0
Schedule BA Assets	98.0	106.9	112.2	100.5	56.6
All Other	2.2	4.6	2.7	9.1	15.3

History

This company was incorporated February 9, 1931 under the laws of Illinois and began business April 17 of the same year.

Capital paid up is $4,200,000, consisting of 42,000 shares of capital stock at a par value of $100 per share. All authorized shares are outstanding.

Management

The company is ultimately owned by The Allstate Corporation, a publicly traded holding company.

Administration of the company's affairs is under the direction of the Chairman of the Board, President and Chief Executive Officer, Thomas J. Wilson.

Officers And Directors

Officers

Chairman of the Board, President and CEO Thomas J. Wilson
Senior EVP Matthew E. Winter
EVP and CFO Steven E. Shebik
EVP and Chief Investment Officer Judith P. Greffin
EVP and Chief Risk Officer Steven C. Verney
EVP and General Counsel Susan L. Lees
EVP Donald J. Bailey
EVP Anurag Chandra
EVP Don Civgin
EVP James D. Devries
EVP Sanjay Gupta
EVP Suren Gupta
EVP W. Guy Hill
EVP Charles N. Paul
EVP Michael J. Roche
EVP Steven P. Sorenson
EVP Joan H. Walker
SVP, Secretary and General Counsel Mary J. McGinn
SVP and Treasurer Mario Rizzo
Group Vice President and Controller Samuel H. Pilch

Directors

Donald J. Bailey
Don Civgin
James D. Devries
Judith P. Greffin
Sanjay Gupta
Suren Gupta
Susan L. Lees
Steven E. Shebik
Steven C. Verney
Joan H. Walker
Thomas J. Wilson
Matthew E. Winter

Regulatory

An examination of the financial condition was made as of December 31, 2008, by the insurance departments of California and Illinois. The 2012 annual independent audit of the company was conducted by Deloitte & Touche, LLP. The annual statement of actuarial opinion is provided by Scott Weinstein, Principal, KPMG, LLP.

Reinsurance

The following text is derived from A.M. Best's Credit Report on Allstate Insurance Group (AMB# 000008).

Reinsurance (Continued ...)

During the past several years, personal lines exposures have declined due to aggressive catastrophe management initiatives that include adequate rate per risk, increased use of deductibles, efficient utilization of state catastrophe pools, risk transfers including targeted reinsurance programs and enhanced underwriting using relative PML risk by geographic area.

Allstate Protection generally purchases multi-year reinsurance treaties that cover personal property excess catastrophe losses with the effective dates and terms staggered to avoid the placement of the entire program at one time. The multi-year contracts adjust coverage annually based on exposure changes.

The reinsurance in Florida coordinates coverage with the Florida Hurricane Catastrophe Fund, which may be restructured annually. The Florida agreements cover Allstate Protection's personal property catastrophe losses and expire May 31, 2013.

A program incepting June 1, 2012, includes a nationwide per occurrence excess catastrophe reinsurance program reinsuring personal lines property and auto excess catastrophe losses resulting from multiple perils, in all states other than New Jersey and Florida. For June 1, 2012 to May 31, 2013, the program consists of two agreements: a per occurrence excess catastrophe reinsurance agreement, placed in seven layers, that provides $3.725 billion in excess of a $500 million retention and after $250 million in losses "otherwise recoverable". The second is a top and drop excess catastrophe reinsurance agreement that provides $250 million of reinsurance limits which may be used for coverage A, coverage B or a combination of both. Coverage A reinsures the "top" of the program and provides 12.67% of $500 million excess of a $3.25 billion retention. Coverage B allows the program limit to "drop" and provides reinsurance 25.32% of $250 million in limits excess of a $750 million retention and after $500 million in losses "otherwise recoverable" under the agreement. Losses from multiple qualifying occurrences can apply to this $500 million threshold.

Allstate also has separate multi-peril agreements that have various retentions and limits commensurate with the amount of catastrophe risk, measured on an annual basis, in New Jersey, Pennsylvania, Kentucky and Florida. Furthermore, the formation of dedicated Florida-only and New Jersey-only affiliates and the participation in the Florida Hurricane Catastrophe Fund and California Earthquake Authority have contributed to the reduction in the group's countrywide exposures.

The group's commercial property business is protected by a per risk and catastrophe excess of loss agreements that provide limits of $25 million excess of a $5.0 million net retention for an annual term. For limits above this level, the company purchases individual property facultative reinsurance. For umbrella policies, the company retains the first $5 million and purchases individual umbrella facultative reinsurance for limits above $5.0 million.

Balance Sheet ($000)

Admitted Assets	12/31/2012	12/31/2011	2012 %	2011 %
Bonds	23,312,194	21,747,559	55.3	53.0
Preferred Stock	59,556	93,013	0.1	0.2
Common Stock	3,078,834	3,731,523	7.3	9.1
Cash & Short-Term Invest	-6,310	-394,360	...	-1.0
Real estate, investment	881	10,705	...	...
Derivatives	3,273	4,082	...	...
Other Non-Affil Inv Asset	3,400,860	2,812,827	8.1	6.9
Investments in Affiliates	5,860,445	6,602,322	13.9	16.1
Real Estate, Offices	328,712	322,771	0.8	0.8
Total Invested Assets	36,038,447	34,930,442	85.5	85.1
Premium Balances	3,995,746	3,881,699	9.5	9.5
Accrued Interest	225,847	226,970	0.5	0.6
Life department	...	...	...	...
All Other Assets	1,873,065	1,983,932	4.4	4.8
Total Assets	42,133,105	41,023,043	100.0	100.0

Liabilities & Surplus	12/31/2012	12/31/2011	2012 %	2011 %
Loss & LAE Reserves	14,498,934	15,084,498	34.4	36.8
Unearned Premiums	8,601,921	8,426,865	20.4	20.5
Conditional Reserve Funds	60,774	49,202	0.1	0.1
Derivatives	5,018	2,295	...	...
Life department	...	...	...	...
All Other Liabilities	2,705,580	2,333,516	6.4	5.7
Total Liabilities	25,872,227	25,896,376	61.4	63.1
Surplus notes	...	...	...	...
Capital & Assigned Surplus	4,485,922	4,861,591	10.6	11.9
Unassigned Surplus	11,774,956	10,265,076	27.9	25.0
Total Policyholders' Surplus	16,260,878	15,126,667	38.6	36.9
Total Liabilities & Surplus	42,133,105	41,023,043	100.0	100.0

Interim Balance Sheet ($000)

Admitted Assets	03/31/2013	06/30/2013
Bonds	22,948,289	22,828,218
Preferred Stock	57,390	56,594
Common Stock	8,498,132	8,429,403
Cash & Short-Term Invest	444,006	166,189
Derivatives	2,016	1,886
Other Investments	4,695,932	4,420,877
Total Invested Assets	36,645,766	35,903,167
Premium Balances	3,986,989	4,016,911
Accrued Interest	228,709	212,836
Reinsurance Funds	69,906	73,476
All Other Assets	1,621,818	1,558,397
Total Assets	42,553,188	41,764,786

Liabilities & Surplus	03/31/2013	06/30/2013
Loss & LAE Reserves	14,618,687	14,703,953
Unearned Premiums	8,471,307	8,667,069
Conditional Reserve Funds	51,135	54,566
Derivatives	2,819	2,919
All Other Liabilities	3,237,241	2,458,630
Total Liabilities	26,381,188	25,887,138
Capital & Assigned Surp	4,507,741	4,557,302
Unassigned Surplus	11,664,258	11,320,347
Total Policyholders' Surplus	16,172,000	15,877,648
Total Liabilities & Surplus	42,553,188	41,764,786

Summary Of 2012 Operations ($000)

Statement of Income	12/31/2012	Funds Provided from Operations	12/31/2012
Premiums earned	23,994,946	Premiums collected	24,054,744
Losses incurred	13,637,692	Benefit & loss-related pmts	14,273,265
LAE incurred	3,008,516		
Undwr expenses incurred	6,422,795	LAE & undwr expenses paid	9,259,446
Other expenses incurred	...	Other income / expense	...
Dividends to policyholders	...	Dividends to policyholders	...
Net underwriting income	925,944	Underwriting cash flow	522,034
		Net transfer	...
Net investment income	1,140,074	Investment income	1,234,408
Other income/expense	155,753	Other income/expense	155,753
Pre-tax operating income	2,221,770	Pre-tax cash operations	1,912,195
Realized capital gains	232,801		
Income taxes incurred	504,171	Income taxes pd (recov)	411,484
Net income	1,950,401	Net oper cash flow	1,500,711

Interim Income Statement ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums earned	12,216,144	11,949,852	266,292
Losses incurred	6,941,957	7,003,927	-61,970
LAE incurred	1,577,905	1,382,011	195,894
Undwr expenses incurred	3,436,055	3,205,736	230,319
Other expenses incurred	...	...	...
Dividends to policyholders	...	...	...
Net underwriting income	260,227	358,178	-97,950
Net investment income	497,554	584,443	-86,889
Other income/expense	77,797	86,858	-9,061
Pre-tax operating income	835,578	1,029,478	-193,900
Realized capital gains	306,640	147,445	159,194
Income taxes incurred	215,593	221,584	-5,991
Net income	926,625	955,339	-28,715

Interim Cash Flow ($000)

	Period Ended 06/30/2013	Period Ended 06/30/2012	Increase / Decrease
Premiums collected	12,296,522	12,019,025	277,497
Benefit & loss-related pmts	6,794,225	6,887,691	-93,467
LAE & undwr expenses paid	5,229,434	4,800,728	428,705
Dividends to policyholders	...	...	...
Underwriting cash flow	272,864	330,605	-57,741
Net transfer	...	...	...
Investment income	592,620	550,208	42,412
Other income/expense	77,797	86,858	-9,061
Pre-tax cash operations	943,281	967,671	-24,390
Income taxes pd (recov)	528,598	160,313	368,286
Net oper cash flow	414,682	807,358	-392,676

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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